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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Extension of the premises of the International Court of Justice

Draft Supplementary Agreement between the United Nations and the Carnegie Foundation concerning the use of the Peace Palace at The Hague

Sixth report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions considered the report of the Secretary-General of 12 November 1997 on the draft Supplementary Agreement between the United Nations and the Carnegie Foundation concerning the use of the Peace Palace at The Hague (A/C.5/52/16). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information.

2. Under the Supplementary Agreement, the United Nations and the Carnegie Foundation would agree that articles II and IV of the Agreement between the United Nations and the Foundation would be amended, as indicated in the annex to the report of the Secretary-General. The proposed amendment to article II of the Agreement would cause a change in the amount stated therein from f. 100,000 to f. 1,843,582 net and would introduce a qualification that the agreed amount was subject to annual increases relating only to inflation. The proposed amendment to article IV pertains primarily to a revision in the number of rooms made available to the Court (A/C.5/52/16, paras. 5 and 6).

3. The Advisory Committee recalls that the last supplementary agreement entered into by the United Nations and the Carnegie Foundation was approved by the General Assembly under the terms of its resolution 1343 (XIII) of 13 December 1958, by which the annual contribution was increased to f. 100,000 (or approximately $57,143 at the rate of f. 1.75 to $1), with effect from 1 January 1959, as a consequence of increased costs of maintenance of the Peace

Palace. Thereafter, the subsequent increases in the United Nations contribution were approved by the General Assembly on the basis of increases attributable to inflation and without the conclusion of supplementary agreements (A/50/7/Add.11, para. 19).

4. For 1997, the total annual contribution payable by the United Nations to the Carnegie Foundation was estimated at f. 1,843,582 (or approximately $1,053.475 at the rate of f. 1.75 to $1). This amount comprised f. 1,263,582 (or approximately $722,047 at the rate of f. 1.75 to $1) for operational expenses corresponding to the space of 7,736 square metres provided to the Court by the owner and administrator of the Peace Palace, the Carnegie Foundation, and f. 580,000 (or approximately $331,428 at the rate of f. 1.75 to $1), corresponding to the contribution for the additional premises of 3,987 square metres, (ibid., para. 18).

5. As indicated in paragraphs 7 and 9 of the report of the Secretary-General, in its resolution 50/215 A of 23 December 1995, the General Assembly appropriated $331,400 for the biennium 1996-1997 to provide for additional accommodation for the Court; furthermore, in its resolution 51/221 A of 18 December 1996, the Assembly approved the deduction of $78,100 from the contribution payable by the United Nations to the Carnegie Foundation, as the Foundation had assented to a one-time reduction, effective 1 January 1997. Consequently, the provision for the enlarged premises of the Court stands at $253,300 for the biennium 1996-1997.

6. The Advisory Committee notes that, in a letter dated 23 January 1997, the Carnegie Foundation informed the Secretary-General that the enlarged premises had been made available to the Court as from 1 January 1997 and assumed that the Supplementary Agreement between the United Nations and the Foundation had in fact entered into force on 1 January 1997 (A/C.5/52/16, para. 8). Subsequently, in letters of 11 September and 30 October 1997, the Carnegie Foundation concurred that the base amount of the annual payment (f. 1,843,582) indicated in the draft Supplementary Agreement should remain unchanged for at least five years (ibid.). Thus, for the biennium 1998-1999, the base amount of f. 1,843,582 would be increased at the annual inflation rate of approximately 2.5 per cent to a total of f. 3,826,585 (f. 1,889,671.60 for 1998 and f. 1,936,913.40 for 1999) (ibid., para. 9).

7. The Advisory Committee recalls that it had previously requested clarification on the index of inflation to be used (A/50/7/Add.11, para. 19). In that connection, the Committee recalls that during its examination of the proposed programme budget for the biennium 1998-1999, it was informed (A/52/7 (chap. II, Part III), para. III.9):

> "The [inflation] rate was based on price and wage data from the Central Plan Bureau (Netherlands Bureau for Economic Policy Analysis), in particular, the cost of government consumption, which integrates two components: wages and salaries of government employees and the cost of public administration buildings. The Bureau estimated price increases for public administration buildings of 2.8 per cent for 1997 and 2.5 per cent for 1998, while for private enterprise buildings the estimated price increase is 2.5 per cent for both 1997 and 1998."

8. The Advisory Committee reiterates its view that the inflation rate applicable to the annual contribution paid by the United Nations to the Carnegie Foundation for the use of the premises in the Peace Palace should be subject to review by the Committee and approval by the General Assembly each time an increase is requested. Under the circumstances, the Committee recommends approval of the draft Supplementary Agreement between the United Nations and the Carnegie Foundation concerning the use of the Peace Palace at The Hague.